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SUBJECT: DOMINICAN CUSTOMS SUSPENDS EXPRESS CLEARANCES FOR
4 DAYS TO PUSH ANTI-CORRUPTION REFORMS

1. Summary. A Dominican government initiative to reform customs handling and to institute closer controls against fraud briefly disrupted express courier services to and from the Dominican Republic September 15-20. After exchanging with the government formal commitments to cooperate, three international handlers were able to resume service on September 20 and the thirteen Dominican members of their industry association re-opened on September 21. End summary.

2. Dominican Director General of Customs Miguel Cocco withdrew customs services on September 15 from all bonded warehouses used by international express mail couriers, including U.S. firms UPS and FEDEX, German firm DHL, and thirteen Dominican firms making up the Express Couriers Association. All imports and exports of courier documents, express packages express cargo stopped. Nothing moved over the weekend or on Monday morning.

3. The Charge spoke at length to Cocco four times during that period and the commercial attache was regularly in contact with UPS manager Griselda Hernandez, who is also president of the Association. Cocco had initiated a general audit of the sector to detect corruption and under-invoicing. In remarks to the press on September 19 he expressed anger and his conviction that many importers were bringing in under-invoiced or incorrectly labeled goods and bribing their way through customs when the subterfuges were detected. "We are not clowns," Cocco declared, "and as long as those firms refuse to submit to the authority of Customs and fail to invoice correctly, we will keep the doors shut on private courier services."

4. Customs officials required the three international operators to produce invoices for their own purchases and asked for copies of invoices for all shipments handled over the previous two years. Hernandez pointed out that Customs itself has the originals of those invoices already; UPS, for its part, retains only the previous six months of billings. While UPS, FEDEX and DHL were permitted to stay open to accept and hold items for processing, all other courier operators were instructed to close their doors. The international operators were losing revenue of USD 60,000 to 70,000 per day, but on volume that could be mostly recouped with the reopening of clearance services. In the meantime, firms both in the Dominican Republic and abroad were facing disruption and uncertainty.

5. Complicating the matter was Cocco's annoyance with the Express Couriers Association for their reactions to his plans to modernize customs services. He and his staff had drawn up plans and a new presidential decree that would make it possible to extend working hours and reform procedures so as to speed processing while reducing the possibilities of bribery and corruption. Cocco had worked on a similar effort during his tenure in the same position in the first Fernandez administration, but because of illness he had not been able to carry it out. The new service would require investment in additional staffing and equipment; Cocco convoked the couriers in March to inform them that he intended to charge a fee equivalent to 3 percent of their turnover. Association members sought to negotiate with him concerning the nature and extent of service fees.

6. President Fernandez signed the Customs-drafted decree authorizing the new services on July 26. It has not yet been published in the Official Gazette as required by law, but Cocco dismissed that fact as a technicality, and argued that he could proceed, based on authority granted to him by law governing Customs. He advised the firms in writing that new arrangements would go into effect on September 15 and required their written assent. The firms provided replies that reserved their rights to petition for changes, including to the courts; Cocco replied with the shut-down.

7. Upon his return on September 20, the Ambassador called Cocco to express USG support for measures to counter corruption and to emphasize the need to assure regular, uninterrupted import and export operations. Cocco told him

at 5 p.m. that matters at issue had already been cleared up. The Embassy learned subsequently that Cocco and his staff did not meet the international operators until later that evening, for a long session that ended with an exchange of letters with essentially the same content as earlier: acknowledgement of Customs authority with an explicit reservation of the right to appeal administratively and through the courts as appropriate. Customs re-opened its services to the three the next morning, with additional personnel.

18. Similar arrangements were made with Dominican members of the Association on September 21. Those firms re-opened. Newspapers carry reports that - - some 300 unregistered and unauthorized express companies - - remain closed. Embassy cannot confirm the accuracy of these reports.

19. Comment. Customs Director General Miguel Cocco was immediately available to the Ambassador and Embassy personnel throughout these incidents and he stressed repeatedly that he did not suspect the international firms of illegal practices.

He said that his targets were Dominican firms engaged in corruption and his desire was to modernize clearance procedures for better service and greater accountability. His approach was heavy-handed and his public rhetoric was feisty, as befitted an official who had already busted several smuggling rings and had bested some of the more influential wholesalers of the country. For a time, however, it appeared as if his measures were on the way to becoming an obstacle to legitimate trade and business, with potential fallout for CAFTA-DR, the free trade agreement with the U.S. and other countries recently ratified by the Dominican Congress. With trade now back on the tracks, that is no longer the case.

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